

**MINUTES
of the
FIRST MEETING
of the
JOBS COUNCIL**

**June 17, 2013
State Capitol, Room 307
Santa Fe**

The first meeting of the Jobs Council (JC) was called to order by Representative W. Ken Martinez, co-chair, on June 17, 2013 at 10:14 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. W. Ken Martinez, Co-Chair
Sen. Mary Kay Papen, Co-Chair
Ray M. Baca
Rep. Donald E. Bratton
Terry Brunner
Sen. Phil A. Griego
Beverlee McClure
Rep. Rick Miera
Rep. Debbie A. Rodella
Sen. Michael S. Sanchez

Absent

Sen. Stuart Ingle

Advisory Members

Rep. Mary Helen Garcia
Sen. Michael Padilla
Sen. John C. Ryan
Rep. James P. White

Sen. William F. Burt
Rep. Stephanie Garcia Richard
Sen. George K. Munoz
Rep. Thomas C. Taylor

Staff

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)
Raúl E. Burciaga, Director, LCS
Monica Ewing, Staff Attorney, LCS

Guest Legislator

Sen. Timothy M. Keller

Guests

The guest list is in the meeting file

Handouts

Copies of all handouts are in the meeting file.

Monday, June 17

Council members and staff introduced themselves. Mark Lautman of Lautman Economic Architecture introduced himself and explained that he will serve as the lead program consultant to the JC. Tim Karpoff of Karpoff and Associates introduced himself and stated that he will serve as a facilitator at meetings of the JC.

Introduction to the JC Process — Session One (Coherence): Deliberation and Agreement on Definition and Planning Model and Guidelines

Mr. Lautman stated that he has worked in the economic development field throughout the state for over 30 years and wrote a book on the subject. He introduced his assistant, Sal Perdomo. He noted that Mr. Karpoff has previously worked with legislative interim committees and does a great job of facilitating discussions. Mr. Karpoff stated that, through his work, he is involved with engagement and public discourse on important issues of public policy.

Mr. Lautman explained that JC meetings will be structured differently than other interim committee meetings, and its meetings, if the JC agrees, will consist of seminar-like discussions in order to help conversations progress. He explained a process that he proposes the council follow during the interim, and he directed the council members to Slide 8 of his presentation, titled "Fast Track Economic Development Strategic Planning", for a discussion of how the process he proposes differs from other development strategies. He specifically emphasized that the process focuses on employment sectors that are capable of producing results in the next three to five years. He directed the JC members to the outline of the following steps in his process as shown in his presentation materials, titled "Jobs Council Backgrounder: Coherence; Economic Predicament; Economic Sector Selection; Geographic Distribution and Resource Gap; and Policy and Program Recommendations". Finally, he emphasized that inclusivity is a hallmark of the process, and it is important that economic development efforts made around the state be part of the discussion.

Mr. Karpoff stated that his role, if the JC agrees, would be to help Mr. Lautman develop agenda items for each meeting, and during the JC's deliberative sessions, he would help facilitate its conversations. He noted that with his facilitation efforts, the co-chairs would have an opportunity to fully participate. He suggested that deliberative sessions might be held in a room with a hollow square furniture layout. Representative Martinez responded that the JC needs to ensure that its meetings are open and transparent and that there is sufficient space in meeting rooms to allow for audience members. Representative Martinez added that the JC would allow for a 30-minute public comment period at the end of each of its meetings.

Mr. Lautman informed members that, in advance of each meeting, they will be given a memorandum that addresses the topics and agenda items for the next meeting. Experts on each agenda item will make presentations to the JC during the morning of each meeting, and during the afternoons, the JC will have an opportunity to deliberate and reach consensus about the items addressed during that meeting.

Regarding the focus on economic base jobs, Mr. Lautman explained to the JC that the only way to grow the economy of the state is to grow that part of the economy that derives revenue from outside the state, and one way to do that is to increase the number of economic base jobs. (See Page 4 of the Jobs Council Backgrounder.) If services are paid for by money from outside the state, those services are part of the economic base. It takes three years for growth of the economic base to take effect. Mr. Lautman showed the effect of the contraction of an economy on economic base jobs, service sector jobs and dependents using a graphic found on Page 5 of the Jobs Council Backgrounder and on Slide 3. The JC will have to decide on the ratio or multiplier it believes should be used when considering the relationship between economic base jobs to service sector jobs.

Mr. Lautman spent some time stressing that health care is an industry he believes will be a significant source of economic base jobs in the state. Because of the expansion of Medicaid, and because there is significant poverty in the state, New Mexico will be receiving a lot of funding from the federal government. While health care jobs have not traditionally been considered economic base jobs, the increase in federal funding coming into the state changes the status of those jobs.

The population and target number of created jobs will be considered by the JC at the July meeting.

Several members expressed concern that the rural communities they represent are in dire situations and may not be able to wait 10 years for economic growth. Mr. Lautman reiterated that the JC should consider industries that will bring economic base job growth in the next three to five years.

In response to concerns about communities that have few, if any, economic base jobs, Mr. Lautman noted that the JC will have to agree on which industry sectors will qualify for the purpose of the JC's work. The focus will not be on resolving issues in specific communities, but in the state as a whole. In September or October, the JC will take the list of economic base job industry sectors identified by the JC as having growth potential and consider which regions of the state can help add jobs within each sector and which regions cannot. The question of urban-versus-rural economic development will be important at that time. He indicated that about half of the sectors the JC includes in its list of potential areas for growth could be sectors operating in rural parts of the state.

Another member raised a question about whether quality of life rather than economic wealth should be a consideration. Mr. Lautman responded that while quality of life is an economic development consideration, for the purposes of the JC, only economic base jobs will be considered. Without economic growth, quality of life diminishes.

On the question of why the JC should endorse one approach to economic development over another, Mr. Lautman noted that because the state has limited resources, it is important that

the state and the legislature have some kind of plan in place even if economic conditions change. He added that the goal of this process is to allow the JC to develop a list of the most important job sectors that the JC believes will help provide economic base jobs and economic growth.

Mr. Lautman reviewed a handout provided by Ms. McClure, titled "Comprehensive Economic Development Strategy for New Mexico; Five Keys for the Framework".

Mr. Karpoff proposed that the JC address the list of 10 action items on Pages 6 through 7 of the Jobs Council Backgrounder and on Slide 10. The council addressed each item in turn and agreed on the following.

1. Define economic development.

Define "economic development" as "growing the economy faster than the population".

2. The rationale for planning.

Mr. Lautman explained that this item seeks the JC's agreement that if the JC follows this process, it will identify areas that, if focused on, have a good chance of leading to economic growth.

3. The process logic model.

The JC effectively adopted the proposed agenda for the interim.

4. Program ambition.

Mr. Lautman noted that this process proposes to take strategic and predictive action through the JC's work.

5. Planning horizon.

Several members noted the need for immediate improvement in certain parts of the state and certain industries. Mr. Karpoff stated that the JC should be looking for measurable impact in three to five years through this process. The JC should identify and select sectors that will have the most traction.

6. Primary planning metric.

The JC should focus on measurable economic base jobs. Mr. Lautman noted that the discussion will not be manageable if the JC looks outside economic base job growth.

7. Impact threshold criteria.

Focus on job creation potential in three to five years.

8. Common sense standard.

With the help of expert presentations in the first part of each meeting, the JC will use its collective expertise to arrive at a job creation approach.

9. Geographic focus.

The JC discussed concerns about urban-versus-rural job creation and economic growth.

10. Comprehensive.

Health care and other industry sectors will bring about new opportunities for job creation.

Overview of Other Current Statewide Economic Development Planning Efforts

Representative Martinez addressed Secretary of Economic Development Jon Barela, and stated that the legislature created the JC to take a comprehensive look at job creation and that the JC would like the Economic Development Department (EDD) to be a part of the process.

Secretary Barela listed five things the EDD does to assist with job creation.

1. Foster a competitive business climate.

Secretary Barela thanked the legislature for 2013 legislation that helps make the state's tax environment better. The number of businesses seeking to relocate to the state has risen exponentially since the 2013 legislation was enacted, and last week, 100 jobs were created in Alamogordo that are directly related to the recent legislation.

2. Help identify, and provide appropriate infrastructure for, job creation.

The EDD has been focusing on water and wastewater issues. Secretary Barela suggested inviting Dr. Mike Hightower from Sandia National Laboratories to address these issues with the JC. He noted the importance of Local Economic Development Act funds and stated the need for additional closing funds.

3. Work with other state agencies to develop New Mexico's work force.

Secretary Barela highlighted the EDD's Job Training Incentive Program (JTIP) and stated that it might need to be more transparent. If the JTIP fund was an "evergreen fund", the EDD could reassure businesses that predictable funds are available.

4. Identify and provide incentives and financing options to businesses of all sizes.

Secretary Barela identified recent business deals in Texas and Louisiana that rely on the states' significant closing funds. He added that incentives and deal-closing funds are important.

5. Provides assistance specifically for small businesses.

The EDD's Office of Business Advocacy has saved 1,500 jobs in the state. Secretary Barela said that the office has two employees who can assist with financing. He also mentioned the EDD's Office of International Trade and stated that New Mexico is first in the nation in terms of export growth. The EDD is responsible for overseeing business incubators in the state. Currently, there are no funds allocated for the business incubation programs.

Secretary Barela stated that the EDD has identified several areas that show the most growth potential, including: (1) energy and natural resources; (2) aerospace and aviation defense; (3) value-added food production; (4) back office technical support; (5) advanced manufacturing; (6) digital film; and (7) emerging media.

In response to a member's question, Secretary Barela stated that back office operations, such as Pretrack, which employs 40 to 60 people, decided to stay in the state as a result of recent legislation. Back office operations provide accounting or bookkeeping services for businesses.

Secretary Barela clarified the EDD's economic development approach as a balanced approach in which manufacturing jobs, high-paying jobs, construction jobs and all other legitimate businesses are welcome in the state. Back office operations offer well-paying jobs. He added that Secretary of Taxation and Revenue Demesia Padilla is compiling a report of which business incentives and credits are underutilized and which are not providing the intended results. If a deduction is not working, it should be eliminated. The EDD can use the information in putting together customized business packages.

Regarding the film industry, Secretary Barela stated that the television show Longmire and other television producers have committed to producing in New Mexico. The state should take advantage of other film activities, such as digital gaming and computer gaming.

Preview of Session Two (Predicament)

At its next meeting, the JC will arrive at an estimated population number for 2023. In arriving at this number, the JC will consider what percentage of the population will be part of the work force, whether the population will shrink and the percentage of unemployed workers. The JC will also arrive at the number of economic base jobs the state will need to create in the next 10 years.

Mr. Lautman stated that experts in population studies, demographics, work force demographics, economic sectors and other areas may be called upon to provide testimony to the JC. He said he has spoken with several experts about assisting the JC.

Work Plan and Meeting Schedule

Ms. Ryan explained the draft work plan to the JC members and noted that it includes meetings to cover each of the major areas covered in Mr. Lautman's proposed process: coherence; economic predicament; economic sector selection; geographic distribution and resource gaps; and policy and program recommendations. Ms. Ryan also reviewed proposed JC meeting locations. The JC approved the work plan and meeting schedule.

Public Comment

Bill Jordan, New Mexico Voices for Children, reiterated the importance of funding to the state as a result of the expansion of Medicaid. He noted that the board of the New Mexico Health Insurance Exchange sent a proposal related to Medicaid enrollment to the Human Services Department (HSD) and that the HSD removed certain funding requests and submitted the proposal to the federal government. He said that the removal of funding will be problematic and will result in a huge loss of funds to the state. He noted that the state needs an aggressive enrollment program in order to see the health and economic improvement made possible by the expansion of Medicaid.

Adjournment

There being no further business before the council, the first meeting of the JC for the 2013 interim adjourned at 3:45 p.m.